



State of North Carolina Office of the State Controller

DAVID T. MCCOY
STATE CONTROLLER

June 1, 2011

MEMORANDUM

TO: Chief Fiscal Officers/Vice Chancellors

FROM: David T. McCoy *David T. McCoy*

SUBJECT: Treasury Regulation 31.3402(t), Published May 9, 2011, Delays Federal, State and Local Governments 3% Tax Withholding Until After December 31, 2012

The Internal Revenue Service has issued final regulations for the 3% withholding of federal income tax upon certain payments made by federal, state, and local government agencies. These regulations delay the implementation of the 3% withholding requirement on certain payments made by large governmental entities until after December 31, 2012.

Due to the amount of effort involved in accommodating this federal withholding requirement, the OSC is continuing with this project by performing those tasks that do not require the additional expenditure of State funds at this time. Agencies/universities not on NCAS should continue cautiously with efforts to be compliant with this federal tax withholding requirement by January 1, 2013.

Thank you for your attention to the above. Should you have questions, please call Randy Thomas at (919) 981-5488.

DTM/rt